

26 March 1952

PERSONNEL DIRECTOR MEMORANDUM NO. 19-52

SUBJECT: AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION CONFERENCE
March 7, 8, and 9, 1952, Washington, D. C.

Attached for your information are brief resumes of the panel discussions on the subjects of Management of Overseas Missions, Flexibility in the Civil Service, and The Contract as an Administrative Device, which present the thinking of these panels. Much of the material presented is pertinent to problems faced by CIA, as well as other Government agencies.

Conferences and panel discussions of this nature are helpful in securing the viewpoints and problems of other agencies. All staff employees are encouraged to attend such discussions within the framework of existing workload and security requirements.

/s/

GEORGE E. MELOON
Acting Personnel Director

Attachments: 3

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FLEXIBILITY IN THE CIVIL SERVICE

Panel

Chairman: William S. Howell, International Bank for
Reconstruction & Development
Bernard L. Gladieux, Ford Foundation
Fordyce L. Luikart, U. S. Civil Service Commission
John F. Victory, National Advisory Committee
for Aeronautics

Members of the Public Administration Conference were told by panel members of the discussion group on Flexibility in the Civil Service that the exigencies of the national emergency and the continued trend towards "bigness" in government demand greater decentralization of personnel administration in conformance with effective central controls.

Dean Olson of the School of Public Administration, University of Southern California, approached the issue of flexibility by disclaiming the current tendency for agencies to negotiate with the CSC on detailed operating problems. Asserting that rigid CSC rules and regulations, encompassing all facets of personnel administration, restrict governmental agencies, he contended that protracted and unnecessary agency CSC negotiations are the resultant effect. He answered the posed dilemma by advocating the greater decentralization of personnel activities, subject to the enunciation by the CSC of broad, controlling principles of personnel policy. Dean Olson made no attempt to identify the content of these principles. He assumed that their development is the proper task of the CSC, instead of its current preoccupation with the minutias of agency operations. The Dean, except for illustrative purposes, was only incidentally concerned with making specific applications of his "policy framework" approach to major personnel problem areas. His thesis was essentially an argument for a new theory of rigidity which would emphasize conformity to policy rather than adherence to detailed regulations, in order to provide a suitable framework for needed administrative decentralization without the attendant bickering by the CSC and the agencies on questions of minor importance. From a physical standpoint, he saw little future in the CSC following a policy of policing the several agencies via enforcement of detailed regulations. Dean Olson's position actually transcended the topic under discussion. His was a plea for the CSC to discontinue its policeman role in favor of a position of aggressive policy leadership.

Fordyce W. Luikart, Chief of Placement and Recruitment Service, CSC, apparently approached the subject in the mood of the sacrificial lamb. In the role of a mild apologist he described some of the larger forces which shape CSC philosophy and policies. These, he said,

include: (1) the CSC operates in a fish bowl and thus must compromise on good ideas which get blunted in the process of free expression, (2) the psychology or tendency towards normalcy - a disposition to return to the modes and mores of yesterday - in a dynamic world, (3) an aversion to facing up to the fact of bigness in government and its consequent demands for modifying restrictive legislation, regulations, and administrative practices, and (4) a genuine difference of opinion concerning the meaning and desirability of flexibility. The division over the propriety of the Whitten Amendment is a case on point; Mr. Luikart, however, did not attempt to explain away rigidities on these grounds. He met head on the challenges of change and constant emergencies. He declared that the argument of centralization versus decentralization is academic, for, in fact, there is decentralization to the point of chaos. He felt the real problem is to devise a system which will prevent the civil service from degenerating further. Recognizing that the CSC cannot under present policies accomplish this, he admitted that the agencies will continue to go their way. His solution affirmed Dean Olson's view, namely, that the CSC should de-emphasize its interest in the mechanics of personnel administration and should concentrate on a re-definition of the principles of merit. More specifically, he described the aspirations of the CSC in developing an appointment system which would preserve a hard core of efficient personnel during reconversion. Conceptually, the Commission is thinking in terms of the career approach. Under this plan, employees entering the service by competition would be granted career reserve appointments in lieu of the present temporary appointments, and upon the basis of demonstrated proficiency could be granted career appointments, without additional competition.

The outspoken critics of civil service inflexibility were Larnard L. Gladieux of the Ford Foundation, ex-government executive who in the rarified air of the outside spoke with feeling on his past experiences with the inflexibilities in the Federal Civil Service, and John F. Victory, Executive Secretary of the National Advisory Committee for Aeronautics, who spoke with all the conviction of one with vested interests. Gladieux explained that in recruiting a staff for the Ford Foundation, he could concentrate on the qualifications of personnel and was not confined by political demands and restrictive CSC central regulations. He said that one laudable objective of the civil service is to reduce political pressures, but the point of diminishing returns has been reached, since regulation can minimize but never eliminate, political considerations. Mr. Gladieux commented on five basic defects of the civil service. First, personnel administration is increasingly left to personnel technicians without adequate provision being made for personnel to have an active part in top management. Second, the conceptual error is made in personnel administration of stressing security and tenure rather than merit. Third, the selective process aims toward the improvement of the lower level of professional employees and contributes little to the discovery and utilization of executive personnel. Fourth, the recruitment authority of agencies in relation to

the CSC should be made uniform. Lastly, the expense and impediments to the dismissal of ineffective employees almost precludes administrative officers from removing employees except in obvious cases.

He offered five specific proposals for eliminating or alleviating the effect of rigidities. The CSC should abandon the rule of three and establish higher qualification standards, thereby forcing the agencies to assume greater responsibility in selection of personnel. Present reduction-in-force procedures eliminate qualified employees, disrupt the organization and impair employee morale; they should be drastically revised. Promotions should be based on merit as well as tenure. Making promotions contingent upon a performance rating of satisfactory is meaningless. Dismissal authority should be made discretionary with agency heads; the right of a hearing before the CSC should be retained only to determine the suitability of the person for employment in another agency. The concept of job rights is implicit in the stress placed upon job security and sanctions similar treatment of efficient and inefficient personnel. Although Gladieux's comments were accusing, his conclusion was moderate and essentially in harmony with the views previously described. He asserted that there must be a middle ground between rigid, uniform standards and freedom of administrative decisions.

Victory's commentary mainly related to the difficulties encountered in trying to operate a technical, scientific agency under the restrictions imposed by the CSC. Two positions of general interest were taken: (1) the peremptory right of the military service to recall reservists is a blight on meeting manpower needs in the governmental agencies during the present emergency, and (2) agencies should be permitted to price scientific positions without regard to the Classification Act.

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MANAGEMENT OF OVERSEAS MISSIONS

Panel

Chairman: Edgar Young, Consultant, Bureau of the Budget
Robert Francis, Voice of America
Andrew B. Foster, U. S. Foreign Service
Edwin N. Montague, Department of State
Alvin Roseman, Mutual Security Agency

An increasing complexity in the administration of overseas establishments has been brought about by the position of world leadership in which we find ourselves at present and which has precipitated a multiple expansion of our overseas operations. There are now approximately 170,000 United States Government employees overseas, half of which are in United States territories. The Defense Department alone accounts for 65% of this total.

This spreading out of the United States Government as an international employer has led to many problems, both to the Government and, in many cases, to the area in which it is present. One of the most vexing of these problems is the employment of aliens and their relationship to citizen employees. Should they be paid at the same rate as the U. S. employees, which in many cases is substantially higher than the prevailing local wages? This would give the U. S. an unfair advantage in the local labor market and might seriously upset the economy of the area. Or, on the other hand, should they be paid the prevailing local rate, at the expense of satisfactory morale and prestige conditions, which will necessarily suffer from working side by side with someone being paid much more for the same work?

Another problem is presented by the fact that so many people have been transplanted in an alien culture, in which they are confronted with different standards of living, different legal systems, and different daily working climates. This inevitably leads to administrative complications since in many cases the government undertakes a whole series of logistic areas which in the United States are usually provided by private enterprise. For example, in some of the more desolate Pacific islands, the Government must provide for the education of the children, for transportation, for recreation and entertainment, and even for such services as shoe repair, laundry, dry cleaning, and the like. This problem varies in degree from place to place and from time to time, but it is present to some extent at every post. In effect, the Government is responsible for its employees twenty-four hours a day.

Another aspect of this responsibility involves the private lives of the individual employees. Employee behavior, either during or after working hours, may have much more serious repercussions abroad than it would in the United States. It is often necessary for the Government abroad to intercede in civil or criminal matters to an extent that would be neither possible nor desirable at home.

Historically, the functions of a government official abroad fell into three categories. The primary function was representation, but protection of citizens and the reporting function were also of importance. The Foreign Service was the organization charged with the performance of these operations. Now, however, there is an over-all bi-polar aspect to everything we do abroad. We are trying to convince people that our side is right. We are taking a dynamic approach, actually trying to win friends and influence people, and to do this we are moving out from the capitols and into the villages and farms.

The Defense Department, which in some instances is the largest single employer in an overseas area, has a far-reaching influence on foreign relations through its employment policies and practices. Our treatment of foreign employees, and the attitudes of the Americans working and living abroad, are important elements in this influence.

The importance of careful selection of personnel to fill foreign posts cannot be exaggerated. The greatest need is to have as heads of missions people with an understanding of human nature, emotional stability, a sound groundwork in the fundamentals of management, an outlook of sufficient breadth to encompass the culture and attitudes of the people of the areas in which they find themselves, and, perhaps most important, an awareness of the total impact of U. S. effort in those countries. Unfortunately, techniques which are adequate to select people who possess these necessary but nebulous characteristics have not yet been developed. Psychologists and psychiatrists are working on the development of valid measurement devices, but have not yet approached the degree of accuracy that may be achieved in the measurement of technical skills. Our government is beginning to recognize the importance of evaluating wives and families, too, a practice now gaining wide acceptance in industry.

Another problem existing in overseas areas, especially in backward or underdeveloped areas, is the tendency of the standard of living to isolate U. S. Government employees from the mass of people and to identify them with the thin veneer of nationals which in most cases is composed of those who have exploited the country and kept it in its backward condition. Naturally, it is not expected that Americans living in Egypt, for example, will live as the average Egyptian lives, but it is important that he be aware of how the average Egyptian lives, and the conditions which impose such a standard of living upon him.

The basic policy decision upon which many of these administrative problems rest is this: Shall we attempt to reproduce the American conditions in matters of diet, sanitation, and the like, or shall we expect a certain amount of flexibility and adaptability on the part of our employees serving abroad? It is not expected that they will lower their standard of living, or subject their families to undue hardship, but it is conceivable that a European breakfast might be just as acceptable as an American one.

One of the most basic problems confronting the overseas mission chief in these days of a multiplicity of missions is that of coordination. The balance between peace and war is so delicate that it can be upset by one false step. Part of the difficulty in achieving coordination in planning is undoubtedly due to poor communication. In reporting the situation in the field to Washington the overseas people may assume a greater understanding of the problem on the part of the headquarters staff than is actually present, and therefore may not spell out the problem sufficiently. A unified policy may be easier to achieve closer to the field where the problem itself is clearer. There may be a decided lack of concept in Washington of the way the people in the area are thinking, or of their way of doing things. It is felt that a wider application of our rotation policies would do a great deal to alleviate this situation. A common background of experience is essential for those officials charged with the formulation and execution of a realistic foreign policy.

One possible solution of this problem that is currently being tried is giving an ambassador a variety of functions. One variation of this idea is to give the ambassador a multi-agency relationship. Another is to make him the head of a mission in addition to his regular duties. The latest experiment in this respect is that of having one person represent several agencies in several countries in respect to one specific function, as is the case with Mr. Draper, who represents all of the Mutual Security Agencies in all of the North Atlantic Treaty Organization countries and is also the personal representative of the President.

The problem of degree of centralization in administration is not unique to overseas establishments, but is intensified because of the distance factor. Historically, there has been a high degree of centralization in the management of overseas posts, and this may be regarded as a "cultural lag" on the part of the United States. Modern trends in administrative management point in the direction of decentralization in every respect, and it seems to be the consensus that the concept should be extended to include overseas management as well. It is felt that a man who is sent to Okinawa to manage a post should not have to cable headquarters each time he wants to buy a pencil sharpener. He must be given sufficient authority to run his post effectively. There

is adequate control present both in the budget process and in performance evaluation to permit delegation of spending authority to the officials who will be held accountable for the allotment and for management of the post.

Reluctance to delegate sufficient authority to the field is due in part to the lack of a tradition of administrative skill. This in turn goes back to the selection process, and beyond that, to the educational processes which produce candidates for foreign service careers. It is hoped that there will be an emphasis on broader managerial training, with particular attention to overseas administration, earlier language study, and a different type of psychology taught in the schools of foreign service and administration to produce career employees equipped to assume the responsibilities of overseas administration.

We must find ways in which the administrative arrangements will support the foreign policy of the United States. This is the basic problem to be solved. Therefore, if the build-up of NATO is our policy, our total effort must be the build-up of administrative procedures to reflect that end. It may be argued that the problems which are found in overseas administration are different in degree rather than in kind from problems at headquarters, but whatever their nature may be, these problems do exist and are complicating factors in effective operation of international affairs.



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THE CONTRACT AS AN ADMINISTRATIVE DEVICE

Panel

Chairman: Robert A. Dahl, Yale University
James R. Newman, Member of New York Bar
N. McL. Sage, Massachusetts Institute of Technology
Lt. Col. T. F. Walkowicz, Department of the Air Force
Fletcher C. Waller, Atomic Energy Commission

The stated objective of the panel was this: "A large part of the Federal Government's program is now being carried on by contracts with private institutions or corporations. What are the advantages of this arrangement - flexibility, decentralization, etc.? What are the disadvantages - problems of responsibility, damage to the regular service? By what methods can the device be used with the minimum of disadvantages?"

As a result of the composition of the panel, that is, with Mr. Waller associated with A.E.C., Mr. Sage's past associations with A.E.C., and Mr. Newman's definite opposition to many A.E.C. policies, the discussion became largely a criticism and defense of A.E.C.'s use of the contract as a device. Therefore, many points on the agenda were never reached, and others were touched upon only lightly. It was interesting, however, to have a concrete illustration of the problems being discussed, since it pointed out the many factors involved in the use of contracts by the Government.

As to the advantages of the contract method, Col. Walkowicz submitted that it resulted in a better job done, provided better brain power, was in line with the traditional American way of competitive business, and required a minimum internal organization. He felt that the technical and research problems characteristic of the Air Force could be surmounted best by "farming them out" to private organizations which had the experience, the staff, the know-how, and the equipment to do the job. This, he believed, was more desirable than having the Government enter the field when it would have to procure all of these things before it could even begin to operate, and then there was no assurance that it would be successful in the endeavor.

Mr. Waller spoke briefly on the experiences of the Atomic Energy Commission and concurred with Col. Walkowicz in the use of private contracting organizations for unusual and special projects. Mr. Newman asserted that the use of "cost plus a fixed fee" contracts by A.E.C. has resulted in a tremendous cost to the Government and in turn to the taxpayer. He cited certain A.E.C. projects, primarily the Hanford

Project, as examples of high costs, monopolistic tendencies, and the general loosening of controls by the Government. He felt that if there was a desire to "farm out" Government operations, that this could best be done by establishing the Government as a series of holding companies with small staffs which would supervise the carrying out of all governmental functions by private organizations. Mr. Sage contended that this would be impractical in that there were certain functions which were inherently of a public governmental nature and their operation by private organizations would be repugnant to the average citizen and contrary to historical evolution. He gave as an example police protection.

Col. Walkowicz said that Mr. Newman's criticisms did not apply to Air Force operations. He felt that costs were actually reduced by the use of the contract device for reasons he had already stated, and that monopolistic tendencies were not encouraged by the Air Force since it dealt with over 300 primary contractors and many other smaller ones. He furthered Mr. Sage's comments by saying that certain types of work, such as the flying of airplanes in combat, which required a large measure of patriotism and love of public service for their operation, could not be successfully carried out by private business.

Mr. Waller attempted to justify A.E.C.'s past operations on the basis of time limits which made it imperative that projects be started before the planning process had been completed. Mr. Newman, however, claimed that although the time element was a factor, it was not a satisfactory explanation or justification, but was rather being used as a tool to perpetuate the malady. He reaffirmed his belief that the use of these "cost plus a fixed fee" contracts were the major cause of high cost, confusion and inadequacy in doing the job.

Conclusion: Though the panel came to no unanimous conclusions, it was the general feeling of the panel and the group that, in many instances, the contract as an administrative device could be very beneficial to governmental operations; and although no line was drawn as to when it should and when it should not be used, it was apparent that it should be used where the operation was of a technical or special nature not usually carried on by the Government because of lack of technique, staff, know-how, or time to set up the required ground work. The use of these contracts should be thoroughly supervised and controlled, however, to insure efficiency on the part of the contractor employed and the over-all project.

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